



**Original Article**

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# Analysis of the Impact of Government and Resistive Economy on the Purchase of Iranian Goods

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Received: 2018/05/20 Revised: 2018/07/05 Accepted: 2018/09/14

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**ABSTRACT:** This study aims to investigate the impact of government and resistive economy on the purchase of Iranian goods. The state of the economy in Iran, particularly the imposed sanctions, highlights the role of the government in the economic cycle. Following the introduction of the concept of resistive economy, the present study attempts to find ways to improve the economy and help domestic manufacturers. This applicative study is based on structural equation modelling. Using literature, a questionnaire was prepared whose validity was confirmed by university experts. The population of this study comprises appliance manufacturers participating in the Isfahan Home Tech exhibition. 110 questionnaires were distributed at random, of which 93 were returned. The collected data were analyzed using Smart PLS 2.0. The findings indicate that both the government and resistive economy have a significant positive impact on the purchase of Iranian goods.

**KEYWORDS:** Government, Resistive Economy, Iranian Goods.

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## **1. INTRODUCTION**

Policy makers and manufacturers in the country have been trying for years to persuade people to purchase Iranian goods, which can lead to the growth of local industries; decreased unemployment; independence from oil exports; stronger national economy; increased domestic production; and increased ability to cope with external sanctions (Ghafari et al., 2014). In today's world of open markets, products and services can be marketed to customers in almost any country. However, even if those products are superior in terms of quality or price than the products manufactured in the host country, it may not be easy to do business successfully in foreign markets (Nijssen & Douglas, 2004).

Studies show that consumers demonstrate some sort of stereotype patriotic thinking in purchasing products, which forms their beliefs. This type of orientation to the origin of products creates a challenge for international marketers and increases market complexity. As a result, domestic manufacturers will have customer retention opportunities. However, the market is composed of different segments, each of which needs to be treated differently. Unfortunately, a different pattern is observed in Iran, which not only damages domestic industries, but also increases unemployment (Mortazavi et al., 2010; Ghafari et al., 2014).

Currently, policy makers are faced with an important question: Why do Iranian shoppers consider domestic products inferior to their foreign counterparts? Politicians and policy makers are trying to encourage people to buy goods made in Iran. Also, the current economic circumstances in Iran, and the need for a resistive economy, give special importance to the consumption of Iranian over foreign products. In this economy, all involved parties need to focus on the country's Twenty-Year Perspective. Unfortunately, however, foreign countries such as China and Turkey have a large share in domestic market, which could potentially cause the destruction of the economy. The present study, by increasing the role of government, aims to inspire the culture of purchasing Iranian products and thereby help managers make correct decisions regarding foreign imports. Therefore, this study investigates the relationship between government and resistance economy on the purchase of Iranian goods.

## **2. LITERATURE REVIEW**

Based on previous research which studied the impact of a country's government on the purchase goods made in that country as well as studies that investigated factors affecting domestic purchase, this study aims to analyze the impact of government and resistive economy on the purchase of Iranian goods. Shimp and Sharma (1987) explained why people would prefer products made in their own country to foreign goods, even if no apparent reason for superiority exists. It is a moral characteristic which makes the consumer prefer domestic goods to imported ones, even despite lower quality (Madhurima Deb, Himadri Roy Chaudhuri).

Netmayar & et al., (1991) demonstrated that American and French consumers had negative attitudes towards imported products. (John and Brady, 2011) . Ghafari (2014) considers subjective norms along with knowledge about and attitude towards sanctions and Iranian products as factors impacting the purchase of Iranian goods (Ghafari et al., 2014). Mortazavi (1391) considers patriotic tendencies and national pride agent as the reason for purchasing domestic goods (Mortazavi et al 2010). Furthermore, numerous other studies have identified many factors leading to desire to buy domestic products. Madhurima Deb Himadri (2012), Chaudhuri (2012) and John Malcolm P Brady (2011) studied the role of government on the purchase of domestic goods. Using their findings, and by adding the concept of resistive economy, we study the relationship between government and resistive economy on the purchase of Iranian goods.

### **3. THEORETICAL FRAMEWORK**

#### **3.1. Government**

In recent decades, we have witnessed the rise of the global economy, which can be attributed to monetary stability, less inhibiting policies, improved life standards, relative peace in the world, and advances in the fields of transportation, communications, and information technology. This phenomenon has led to global-scale competition (Leonidou et al., 2007, Heidarzade et al., 2008). Furthermore, customers are exposed to a wide range of imported products every day (Knight, G.A1999, Heidarzade et al., 2008). In light of such issues, global trade becomes inevitable, which makes strategic planning more complicated (Wood, V.R. & Robertson, K.R, 2000; Heidarzade et al., 2008).

The government plays an important role in economic and social development both as an intermediary and as a facilitator. Providing goods and services requires a strong government with regulations and institutions that can enable growth in the market and improve quality of life (Moshtagh, 2014). Economic theories based on government involvement no longer seem to work: increasing the government's role will only waste time and resources and lower productivity. Governments need provision, support, and provide platforms for the private sector and start-ups, in particular (Ansari & Ghafarzade, 2008; Akbarzade & Shafizade, 2011).

Government initiatives are among the most critical factors that influence the success of resistive economy. The concept of resistive economy, which requires the government to increase its resistance capabilities, was introduced after new international sanctions were imposed on Iran. Extant regulations of social insurance, taxation, etc. do not apply to current circumstances. The legislative and executive branches need to adjust these regulations as soon as possible. The government expects people to help the resistance of the sanctions and in return they demand remove of troublesome banking and customs regulations so that domestic productions can thrive (Ghorbani taze kandi, 2013). Literature indicates a positive relationship between imports and the purchase of foreign goods (Al-Sulaiti & Banker, 1998; Bilkey & Nes 1982; Ghafari et al., 2014). Therefore, governments need to provide alternative products (Al-Sulaiti & Banker 1998).

#### **3.2. Resistive Economy**

Current economic circumstances, and especially heavy sanctions, have forced the Islamic Republic of Iran to adopt an economic system that can overcome these changes and challenges. In fact, the country's economic life depends on resistance against the numerous political and economic campaigns. In addition to increasing the society's efficiency, this allows Iran to be a role model and an inspiration in developments throughout the world (Toghraee 2014). Resistive economy involves focusing on areas of interest to the enemy, in the present or future, as well as endeavoring to turn weaknesses into opportunities (Ashrafi, 2013).

Undoubtedly, resistive economy reduces dependencies and leads to self-reliance. A strategic plan which facilitates and enables the activities of the private sector is a prerequisite to resistive economy. Resistive economy is built upon individual and collective intellectual capital. Therefore, the private sector is an important platform for strengthening the economy and reducing the impact of sanctions (Mahmoudnia, 2014).

Economic sanctions usually act as tools of enforcing foreign policy, justifying that the goal of economic war is to inflict as much economic damage as possible to the target country until that country stops resisting. When individuals or organizations refuse to purchase a particular product, its sales decrease rapidly (Ghafari et al., 2014; Smith, & Li 2010). Domestic productions can make the country independent, which can only be achieved if adequate support is provided for factories and small and medium industries. This is an important step in increasing domestic productions. By improving the quality of domestic products, producing more standard goods, increasing awareness in the society, providing the necessary educations and encouraging people to use domestic goods, threats can be turned into an opportunities. In resistive economy, improved domestic production capabilities and better control procedures along with support for manufacturers can lead to independence and an economy built on unity and empathy. Economic



experts believe that resistive economy attracts more investments and generates more trade, both domestic and foreign (Taheri, 2012).

### **3.3. Iranian Goods Purchase**

Tendency towards high-quality global brands and products in developing countries is a rule to which Iran is not an exception. Thus, domestic production in developing countries such as Iran should be able to effectively compete with imported products. It is crucial for companies, especially ones that compete in world markets, to understand the factors that influence consumers' purchasing decisions. A common belief is that consumers buy imported products based on their quality. However, in some cases, low-quality domestic products are favored over high-quality foreign products or vice versa (Nguyen et al., 2008; Dehdashti et al., 2010).

The phenomenon in which domestic products are preferred over foreign ones is called economic nationalism; cultural prejudice against imported products; or consumer patriotism (Dehdashti et al., 2010; Shimp and Sharma, 1987), all of which are rooted in social psychological tendencies of patriotism (Shin 1993, Dehdashti et al., 2010). Consumer patriotism refers to the choice of domestic products over imported ones (Shimp & Sharma, 1987; Shin, 1993; Dehdashti et al., 2010). Using Iranian goods leads growth in domestic industries, decreased unemployment, reduced exports of crude oil and mineral resources, more powerful national economy and confidence in domestic productions. Furthermore, foreign sanctions can be neutralized. Consumers reserve the right to complete information about the products they purchase, including country of origin. (Ghafari et al 2014). However, consumers need to be warned about the consequences of using foreign products such as unemployment for Iranian youth. The education system in Iran must teach cultural and national identity to young learners. Unfortunately, most of Iranian stationery is imported from abroad, which means Iranians learn to use foreign goods from childhood.

The media should restrict advertisements for foreign goods because smuggling of goods is one of the barriers for development in Iran. Every citizen should know that consumption of smuggled goods leads the unemployment of young Iranians.

Studies show that consumers demonstrate some sort of stereotype patriotic thinking in purchasing products, which forms their beliefs. This type of orientation to the origin of products creates a challenge for international marketers and increases market complexity. As a result, domestic manufacturers will have customer retention opportunities. However, the market is composed of different segments, each of which needs to be treated differently. Unfortunately, a different pattern is observed in Iran, which not only damages domestic industries, but also increases unemployment (Mortazavi et al., 2010; Ghafari et al., 2014).

Theories related to groups suggest that when a group is threatened by an external factor, it becomes more intimate (Rabinz, 2012). If we consider Iran as a large group, despite the usual intra-group conflicts, external threats will only serve to bring them more together. This is important because Iranian consumers are expected to behave differently under sanctions. It is possible that, in order to show support for domestic manufacturers, consumers purchase Iranian products. The literature shows that there is a positive relationship between import and purchase of foreign goods (Al-Sulaiti & Banker 1998; Bilkey & Nes, 1982; Saffu et al., 2010).

## **4. RESEARCH METHODOLOGY**

The populations of the manufacturers of household appliances participating in the exhibition have formed in August 2014. For some reason this industry was selected as research subjects. First, many companies have been active, resulting in the industry's competitive edge in the market. Second various industrial applications to extensive use in addition to domestic needs and families and in the administrative and commercial use, have been also done. Leading research is objective and the method of data collection is descriptive and correlational based on structural equation modelling. To collect the data, to test hypotheses and a theoretical model of the questionnaire using a five point Likert scoring range is used. Due to time limitations, the

study sample was selected randomly from among manufacturers of household appliances. In order to gather data to test hypotheses and theoretical models of questionnaire containing 19 questions was used. The questionnaire used consists of 2 parts: the first part of the demographic questions such as gender, age, education and experience in the company. The second part includes the main research questions. Questionnaires were used to measure variables that researchers have used in their research several times and their validity is confirmed. 110 questionnaires were given to respondents goal, ultimately, 93 usable questionnaires, were returned. Respondents' demographic data has been indicated in Table 1 below.

Table 1: Respondents' demographic data

characteristics				
Gender	Man (55%)		Woman (45%)	
Age	20-30(32/2%)	30-40(41/9%)	50-60(22/5%)	50-60(3/2%)
education	Diploma (35/4%)	Diploma (6/4%)	BA (51/6%)	MA (3/2%)
Experience in the company	1-10(74/2%)	11-20(12/9%)	21-30(12/9%)	

## 5. DATA ANALYSIS

Appearance and content validity of the questionnaire was approved by the institutional authorities. For reliability, Cronbach's alpha was used to, the value of the Government variable obtained 0/64, Resistive economy obtained 0/64 and purchase of Iranian goods obtained 0/67, which showed acceptable reliability tools. It should be noted that the coefficient factor in software-related questions PLS 0/4 higher and no need to remove questions. The average variance extracted (AVE) model variables were greater than 0.5, indicating the acceptability of the research. A combination of factors impacted the reliability of the Government variable obtained 0/77, Resistive economy obtained 0/78 and purchase of Iranian goods obtained 0/90. Value t, calculated, indicating a significant relationship between explicit and implicit in the 95% significance level. It was found that using Locker Fornel and divergent validity is at an acceptable level. A necessary criterion for assessing the structural model coefficient is of determination R<sup>2</sup> dependent latent variables.

China (1998) R<sup>2</sup> values 0/19, 0/33, 0/67, has described moderate and substantial respectively. This value is obtained 0/50 for Iranian Brand variable purchase. To evaluate the adequacy of the model to predict the dependent variable can be used as indicators of Q<sup>2</sup>. Positive values of Indication Is appropriate for Adequacy forecast (Amani et al 2013). Q<sup>2</sup> values of endogenous variables depend on Iranian purchase, are obtained 0/32 which is positive and indicates that the adequacy prediction model is appropriate.

Amato, Vynzy and Tnn House (2004) argue that the PLS GOF index can serve as indicators of overall fit of the model to assess the validity or quality of the PLS model generally used. This index is between zero and one to values close to a good quality indicator model GOF is equal to the geometric mean average redundancy index and the average coefficient of determination (R<sup>2</sup>), which is calculated using the following formula. Vtzls et al (2009, p. 187) have introduced three values of 0.01, 0.25 and 0.36, respectively, as the amount of weak, medium and strong for GOF (davariand & rezaZadeh, 2014, p. 98). GOF value calculated for the study to 0.50, indicating a good fit of the model (O'Cass & Weerawardena, 2010).

$$GOF = \sqrt{(\text{communality} \cdot \overline{R^2})}$$

### 5.1. Test Hypotheses

To investigate the hypothesis, the structural equation modelling was used to investigate the structural relationship between the variables. In software PLS two outputs obtained, the first output indicates approval or disapproval of the conceptual model and the second output show the final path analysis model. Model output shows that meaningful path coefficient between variables of resistive economy and buying Iranian goods are  $4/36$ , it is more than  $1/96$ . This indicates the significance of the impact of government on the purchase of Iranian brand is 95%. Analysis output of model show Standardized path coefficient between the government variables and buying Iranian goods is  $0/35$ . This means that the government determined purchases Iranian goods Variations in the amount of 35%.

The second hypothesis suggests that the model output that meaningful path coefficient between variables of Resistive economy and buying Iranian goods are  $7/95$ , it is more than  $1/96$ . This indicates that the significance of the impact of Resistive economy on the purchase of Iranian brand is 95%. Analysis output of model show Standardized path coefficient between the Resistive economy variables and buying Iranian goods is  $0/59$ . This means that the Resistive economy determined Iranian goods purchases Variations in the amount of 59%.

## 6. DISCUSSION AND CONCLUSION

The purpose of this research is to study the role of the government and resistive economy in the Iranian goods purchase. As mentioned in the literature review, previous studies have examined the relationship between the government and purchase of domestic goods. However, to the best of our knowledge no study has examined the impact of resistive economy on the purchase of domestic brands. This comes as no surprise since resistive economy is a new concept, introduced after heavy sanctions were imposed on Iran recently. The purchase of Iranian goods is not one-dimensional issue. As demonstrated in previous studies, factors such as national pride, age, and income affect the purchase of domestic goods. In this study, we consider the effect of both the government and resistive economy. The results show that the government and resistive economy have a positive impact on the purchase of Iranian goods. As shown in other papers, the purchase of Iranian goods and imports has a positive effect (Al-Sulaiti and Banker 1998, Bilkey and Nes 1982, Ghafari ashtaini et al 2014).

We know that governments are responsible for the import of goods and in order to increase purchases of Iranian products the government, must find alternatives to imports (Al-Sulaiti and Banker1998). Resistive economy aims to increase self-sufficiency and self-confidence, which is necessary for the growth and sustainability of industries. Iranian people need to use goods made in their own country. In order to achieve this, the government can make people aware of the consequences and improve domestic business and increase the purchase of Iranian brands.

## 7. PRACTICAL SUGGESTIONS

The aim of this study is to determine the role of the government and resistive economy on purchase Iranian goods. The results indicate that the government and resistive economy have a positive influence on the Iranian goods purchase. The purchase of Iranian goods is not one-dimensional issue. The present study examined the effects of both the government and resistive economy on the purchase of Iranian goods. Based on our result, the following are recommended: Improving our industries and the instilling culture of purchasing Iranian goods in the country requires government support so that manufacturers are able to produce the best goods with reasonable prices that can compete with foreign counterparts. Furthermore, the government can use the media and seek help reference groups such as religious leaders, athletes, and scholars to encourage people to use Iranian products. Other initiatives include providing warranties for products, free consultations, and educating children about the use of Iranian products. These attempts will eventually lead to a more prosperous country.

The following guidelines are provided for increasing the use of Iranian goods:



1- Changing tax and customs laws: Unfortunately in some cases manufacturers are taxed while mediators pay no taxes. We need to find a way to tax capital and income correctly. Moreover, tariffs for luxury goods and products with similar domestic counterparts must be increased.

2- Personal mission for officials: Authorities in the country need to know that are their role models for people. Leading simple lives, using Iranian goods and avoiding foreign products can reflect their beliefs far better than simply recommending people to do so. All authorities are responsible for creating a culture that values Iranian products.

3- Increasing confidence of the youth: Iranian youths need to believe in themselves. They must be taught that they can achieve what they want.

4- Reducing the exports of crude oil and raw materials: The export of raw materials especially gas and oil needs to be gradually decreased according to a strategic long-term plan. Furthermore, Iranian industries must become independent from foreign countries.

5- Supporting high-quality domestic products that create employment opportunities: Iranians have always been famous for manufacturing high-quality products. Unfortunately, however, some manufacturers have lowered the quality of their products in an attempt to gain short-term profits. The government must support Iranian manufacturers and exporters to make products of better quality.

## **ACKNOWLEDGMENTS**

None.

## **ETHICAL CONSIDERATION**

Authenticity of the texts, honesty and fidelity has been observed.

## **AUTHOR CONTRIBUTIONS**

Planning and writing of the manuscript was done by the authors.

## **CONFLICT OF INTEREST**

Author/s confirmed no conflict of interest.

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